



City Manager's Office
City of Frisco, Texas

Memorandum

To: Honorable Mayor Maso and Members of the Frisco City Council

Cc: George A. Purefoy, City Manager

From: Ron Patterson, Assistant City Manager

Date: 09/06/2009

Agenda Caption: Consider and act upon a Resolution authorizing the City Manager to execute the First Amendment to Star Center Lease Agreement with Zoom Sports, Inc. (CMO/RP)

Action Requested: Request Council favorably consider lease amendment.

Background Information: Since the expansion of the Dr. Pepper Arena we have had many new and exciting opportunities come to us through the facility. This request is an example of another opportunity. The Mayor and staff were recently approached by Mr. Donnie Nelson representing the ownership (hereinafter referred to as "Team") of the new D-League basketball team that is to be based in the Arena. During this meeting the Team requested consideration and support by the City Council and the Frisco Economic Development Corporation ("FEDC") for a list of items to assist them with the initial start-up of Team operations. After researching each of the items requested by the Team staff developed a list of items for which it recommends your favorable consideration (please note that all requested items have not been recommended):

1. **Purchase of lockers** – The NBA has a minimum requirement for type, size and number of lockers for both home and away teams which the arena does not currently have. The Team requested consideration for purchase of the required lockers. This purchase would provide the required lockers at a cost \$24,000.00.
 - The requirement for the lockers is a legitimate start-up cost required by the NBA and will support all home games for the new basketball team. Being a one-time expense this is being requested as part of an FEDC incentive package through a reimbursement as outlined below and has been submitted to them for separate consideration.

2. **Corporate headquarters office space rent assistance** – The Team will need executive offices for its corporate headquarters and sales operations. They have examined the vacant “office space” within the Zoom, Inc. (hereinafter referred to as “Zoom”) lease space at Dr. Pepper Arena.
- a. **Current Situation** – Zoom currently has approximately 12,000 square feet (sf) leased from the City at a rate equal to the debt service on the space. Zoom additionally pays a CAM charge to the Stars for common utilities and pays for its phone, data and cable directly. Zoom is not fully utilizing all 12,000 sf and as authorized in their lease is willing to sublease the unutilized space to the Team.
 - b. **Proposed Team Corporate Headquarters Space** – The current office space available within the Zoom lease space is approximately 2,470 sf with an additional area of approximately 892 sf in common use area (reception, restrooms, cleaning) for a total of approximately 2,916 sf. Zoom management is willing to lease the office space at a lease rate of \$4,500.36 per month which includes CAM charges for the Team corporate office space. See first block of **Attachment 1** for financial data and **Attachment 2** for schematic of proposed space.
 - c. **Zoom Rental Assistance Proposal** – As part of the finish-out of the lease space for Zoom the City provided \$21,117.00 in additional improvements for which Zoom is currently responsible. However, this cost has been covered as part of the Dr. Pepper Arena expansion project. Therefore, City staff has proposed that Zoom, instead of paying the finish-out cost in cash, offer rental assistance to the Team for their corporate office space. This assistance would take the form of zero dollar (\$0.00) monthly rent for a period of time equal to the approximate value of the finish-out currently owed. Zoom has agreed to provide such rental assistance for the first six (6) months of occupancy. As one can see by examining the second block of **Attachment 1** this equals a value of \$27,002.16 which is slightly more than the amount otherwise owed. **It is recommended that this proposed rental assistance be fulfilled through the lease amendment that is the subject of this agenda item.**
 - d. **FEDC Rental Assistance Proposal** – In light of the proposed Zoom rental assistance staff is also recommending “additional rental assistance” for a period of eighteen (18) months. When combined with the Zoom rental assistance the Team would be provided a total of twenty-four (24) months of rental assistance. This “additional rental assistance” is being requested as part of an FEDC incentive package in the form of a reimbursement as outlined below and has been submitted to them for separate consideration. See second block of **Attachment 1**.

In summary, the proposal before you request consideration of the First Amendment to the Zoom lease for the rental assistance outlined above.

For informational purposes – please note that in addition to the lease amendment the incentive package described above has been submitted to the FEDC for their consideration under the following terms and conditions:

City/Zoom Deliverable:

1. Provide for six (6) months rental assistance to Team through Zoom rental assistance.

FEDC Deliverables:

1. Term of Agreement = five (5) years from date of full execution of Agreement.
2. FEDC to provide a reimbursement for the purchase of the lockers not to exceed \$24,000.00. Upon purchase and installation by Team the lockers shall be deeded over the City as permanent fixtures to Dr. Pepper Arena.
3. FEDC to provide reimbursement to Team for rent payments to Landlord (Zoom) not exceed:
 - a. Year One – \$27,002.16
 - b. Second Year – \$54,004.32
4. Assuming Team's performance of the terms and conditions outlined herein, and timely filing of all required documentation, reimbursement payments made to Team as outlined herein shall be on a quarterly basis. Due to the first six month rental incentive the first reimbursement under the proposed Agreement would be for the quarter March 2009 through May 2009 which shall be the "base quarter". The reimbursements would continue quarterly from the base quarter through the final quarter of June 2011 through August 2011.

Summary of total FEDC reimbursables to Team by year:

Year 1 Total – 51,002.16 (\$24,000 lockers; \$27,002.16 rent)

Year 2 Total – 54,004.32 (rent)

Total \$105,006.48

See second block of **Attachment 1**.

Team Deliverables:

1. Team to execute a lease agreement for corporate headquarters within Frisco Dr. Pepper Arena with at least a two (2) year term.
2. Any and all finish-out associated with the corporate headquarters lease space within the Frisco Dr. Pepper Arena is the responsibility of Team.
3. Team to maintain corporate headquarters within Frisco Dr. Pepper Arena for at least two (2) years and within the corporate city limits of Frisco for the Term of the Agreement.
4. Team must create and maintain at least ten (10) fulltime employees [defined as employee working a standard 2080 hours per year] within the corporate headquarters for the Term of the Agreement.
5. All scheduled games designated as "home" for the Team to be played at Frisco Dr. Pepper Arena for the Term of the Agreement beginning with the 2010 season. Such "home" games shall number at least twenty-four (24) during any season.

6. Situs of all Team ticket, and associated product sales, will be within the corporate city limits of Frisco for Term of the Agreement.
7. Team will provide City and FEDC with twenty (20) general admission tickets to each "home" game for the Term of Agreement.
8. If at any time during the Term of the Agreement any of the Team Ownership Deliverables, as defined herein, are not met following notice and a cure period Team shall reimburse the following:
 - a. To FEDC – All funds actually reimbursed by FEDC to Team with such amount not to exceed \$105,006.48; and
 - b. To City – The value of six (6) months rental assistance with such value being equal to, but not to exceed, \$27,002.16.

Board Review/Citizen Input:

NA

Alternatives:

NA

Financial Considerations: Provision of the rental incentive is a net sum zero for the City and allows Zoom to provide the rental assistance.

Legal Review: Amendment was prepared by Bob Roeder

Supporting Documents: First Amendment to Lease Agreement

Staff Recommendation: Staff recommends approval of lease amendment and resolution subject to Zoom providing staff a copy of a fully executed lease with Texas D League Management, LLC which contains a provision of six (6) months of rent at zero (\$0.00) per month.

Attachment 1

D-League Proposal Supporting Calculations

Proposed D-League Sub-Lease Data (Thru Zoom)				
Office Space	2,470	\$15.80	\$39,026.00	
Common Area	446	\$15.80	\$7,046.80	
Sub-Total	2,916		\$46,072.80	
CAM Charges		\$2.72	\$7,931.52	
Total		\$18.52	\$54,004.32	\$4,500.36

Proposed D-League Incentive Package			
Reimbursement of Annual Lease Cost		\$54,004.32	
Reduction by Zoom Abatement - 6 Months		(\$27,002.16)	
Year One Lease Reimbursement		\$27,002.16	
	Annual Cost		Running Total
Lease Reimbursement	\$27,002.16		
Locker Cost Reimbursement	\$24,000.00		
Year 1 Total	\$51,002.16		
Year 2 Total	\$54,004.32		\$105,006.48

Attachment 2 Team Corporate Offices

